

Attorney Docket No. 3524/5

REMARKS

The status of the claims is as stated above. Claims 1, 7, 9-11, 19, 21 and 24-26 are presented for further consideration.

Prior Art

It is admitted that Fig. 1, except for the telephone 14, and Fig. 2 are prior art to this application. It is also admitted that the descriptions in the specification relating to Figs. 1 and 2, including preferences, filtering and quoting, are prior art to this application (but not the subject matter relating to temporary restrictions and the penalty box feature). As discussed below, all pending claims include a recitation of a temporary restriction, which is not admitted to be prior art to this application.

Rejections under 35 USC 103

Claims 1, 11 and 27 were rejected as being unpatentable over Potter et al. and May (US Patent No. 6,317,727), and all of the remaining claims were rejected as being unpatentable over Potter et al., May and at least one other reference.

Claim 1

Claim 1 claims a system for conducting electronic trading of foreign exchange forwards in which trading configurations are associated with each trader with at least one of the trading configurations including at least one temporary restriction settable by a first trader with respect to at least one trader and when set automatically expiring at or after a predetermined time or time period. (Claim 1 no longer refers to a "penalty box" or a "trader set.")

The Examiner recognized that Potter does not disclose "pre-set trading configurations including temporary restrictions on a specified trader set by a first trader to

put the specified trader into a penalty box state” and contends that May teaches this feature. To support this contention, the Examiner cited col. 23, line 1 to col. 24, line 33, col. 24, lines 34-44 (with respect to temporary restrictions of a predetermined duration) and the Abstract of May.

Claim 1 claims, among other things, that the at least one temporary restriction settable by a first trader with respect to at least one trader, when set, automatically expires at or after a predetermined time or time period.

May, in cols. 23-24, describes a credit preference feature that is configured to handle, according to May, the significant long-term credit problems inherent in over-the-counter derivatives transactions. According to May, these long-term credit problems are further compounded by the fact that there is no standard method for banks to internally monitor and manage their credit risks. As a result, May states that most banks have developed their own, often proprietary, methods of monitoring and measuring the credit risk embedded in large portfolios of derivatives, and that banks also have different methods for dealing with the many different financial instruments that exist in every market.

May’s solution, at least in part, is the introduction of a measurement unit of credit risk that May refers to as risk equivalent (“RQ”), which, according to May, allows for different instruments to be compared on a like basis using a standardized measuring methodology, which together with the concepts of contract maturity, credit groups, classes, credit preferences, legal entities and business units allow a solution to the credit risks embedded in bilateral, term derivatives contracts.

May describes credit preferences as the methods or rules selected by a business

unit within a credit group used to screen prices (bids or offers) and trades against all other legal entities. May provides the following three credit preferences as preferred embodiments:

Method 1: Binary (simple yes/no)--This is used where mark-to-market (MTM) agreements exist between the counterparties. MTM are bilateral, collateral agreements which are common and reduce the credit risk between two parties to almost zero by the posting of collateral against the value of a portfolio of derivatives covered by a single ISDA (International Swap and Derivatives Association) master agreement.

Method 2: Line Binary--takes into account the maturity (quoted in months from trade date) of the financial contract.

Method 3: Complex--This is based on the RQ of each contract within maturity bands. The system calculates a RQ for each instrument in the form of a constant currency unit expressed as a percentage. Each business unit has the choice of using the system generated RQ unit or to provide their own.

Nothing in May indicates that the credit preferences, when set, automatically expire at or after a predetermined time or time period. Instead, May teaches that a credit preference is either set by default or by user input, and can be modified by user input (see col. 13, lines 37-65 and col. 27, lines 31-54), but nothing in May indicates that when a credit preference is set or modified, it does not remain in effect until changed. Also, the override process, described in May starting at col. 29, line 55, does not involve an automatic expiration occurring at or after a predetermined time or time period.

The Examiner states that "May also discloses that a temporary restriction (only doing \$50 million business) is imposed for a predetermined duration (from five to ten years)." The example referred to by the Examiner is described in May as follows (col. 24, lines 34-44):

The complex method allows each business unit to exactly stipulate the amount of new risk that they are prepared to enter into with any other legal entity for each credit group by maturity band. The complex method enables a business unit to specify not only a particular maturity, but also a particular quantity or amount based on a measure of RQ. Further, the complex method enables the business unit to specify this for more than one period in time. For example, a business unit can specify that for Bank A, they will do up to \$100 million out for 5 years, and then only \$50 million from thereafter out to 10 years, and nothing thereafter.

In the example above referred to by the Examiner, the \$100 million, for example, is the limit for Bank A for a five year maturity band. That limit for the five year maturity band does not automatically expire at or after a predetermined time or period. At instrument maturity, the parties settle their obligations. This is not the same as expiration of a temporary restriction. In May, once set, a credit preference of, e.g., \$100 million for a five year band, remains (at \$100 million for the five-year band) until changed. Thus, for example, May does not disclose a temporary restriction within, e.g., the five year maturity band, that automatically expires.

May discloses that a credit preference can be reduced by trades. However, the credit remaining below the set credit preference does not automatically expire at or after a predetermined time or time period and can continue to be changed based on trading, not time. Changing a credit figure based on trading activity is not the same as a trading configuration including at least one temporary restriction settable by a first trader with respect to at least one trader and when set automatically expiring at or after a predetermined time or time period, as claimed in claim 1.

Therefore, it is submitted that the combination of Potter et al. and May does not disclose the invention claimed in claim 1, and that claim 1 is allowable.

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Independent Claims 10, 11, 21, 24, 25 and 26

All of independent Claims 10, 11, 21, 24, 25 and 26 recite, similar to claim 1, a trading configuration or filter setting that includes:

at least one temporary restriction settable by a [or the] first trader with respect to at least one trader and when set automatically expiring at or after a predetermined time or time period.

It is submitted that independent claims 10, 11, 21, 24, 25 and 27 are allowable at least based on the reasoning advanced for the allowance of claim 1. (Like claim 1, these claims do not refer to a "penalty box" or a "trader set.")

Dependent Claims

It is submitted that dependent claims 7, 9 and 19 are allowable at least for the reason that they depend from and incorporate the subject matter of an independent claim shown above to be allowable.

Closing

It is submitted that claims 1, 7, 9-11, 19, 21 and 24-26 are allowable. Reconsideration and allowance of the application with those claims are respectfully requested.

Respectfully submitted,

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